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SUBJECT: INDONESIA ENERGY AND MINING HIGHLIGHTS - March 2007

11. Summary. The Government of Indonesia (GOI) awarded 37 energy contracts worth at least a reported seven billion dollars in Subang, West Java on March 21. The contracts included exploration deals worth \$4.1 billion, domestic gas supply agreements worth \$1.61 billion and oil and gas contracts amounting to \$1.39 billion. On the same day, the agriculture ministers of Indonesia and Brazil signed a biofuels cooperation agreement aimed at starting large scale ethanol production in Indonesia. On March 16, state petroleum company Pertamina abandoned its attempt to have a Cayman Islands court intervene in its long-running dispute with the Karaha Bodas Company (KBC) and announced it would pay KBC's claim. On March 11, state gas company PGN and state coal firm PT Tambang Batubara Bukit Asam signed a memorandum of understanding to develop coal bed methane in South Sumatra. On March 8 and March 16, Pertamina announced its interest in acquiring stakes in deepwater blocks in East Kalimantan. Local energy firm Bumi Resources signed a memorandum of understanding on March 16 to purchase a 3% stake in the Sumbawa-based copper and gold mining firm Newmont Nusa Tenggara. Effective March 1, Pertamina raised retail prices for several oil based fuels for industry due to higher global oil prices. Local oil and gas firm Energi Mega Persada signed agreements with Mitsubishi Corporation and Japan Petroleum on March 7 to become partners to explore the Kangean PSC. India's Tata Power announced on March 30 that it would pay \$1.3 billion to purchase 30% equity stakes in Indonesian coal producers PT Kaltim Prima Coal and PT Arutmin Indonesia. This report uses an exchange rate of Rp 9,105/USD. End Summary.

Energy Projects Unveiled in West Java

12. On March 21, the GOI awarded 37 energy contracts worth a reported \$7 billion at a ceremony in Subang, West Java, according to press reports. The contracts reportedly included exploration deals worth \$4.1 billion, domestic gas supply agreements worth \$1.61 billion and oil and gas contracts amounting to \$1.39 billion. It also included engineering, procurement, and construction (EPC) contracts for coal-fired power plants. Chinese-led consortia won four of the five EPC contracts.

Table 1: Coal-Fired Power Plants Awarded on 3/21 Under GOI Electricity Acceleration Program

Project (\$million) (Units X MW)	Contractor	Location
PLTU Jabar I (\$863.22)	China National Machinery Industry Corp, China National	West- Java

(3 X 330MW) Electric Equipment Corp,
PT Penta Adi Samudera

PLTU Rembang Zelan, PT Prianamaya and Central-
(\$558) Tronoh Java
(2 X 316MW)

PLTU Banten II Chengda Engineering Corp, Banten
(\$492.94) Truba Jurong Engineering
(2 X 316MW)

PLTU Jatim II Harbin Power Engineering, East-
(\$466.25) PT Mitra Selaras Utama Java
(1 x 660MW) Energy

PLTU Banten I China National Technical Cilegon
(\$428.79) Import and Export Corp,
(1 x 625MW) China National Machinery
Import and Export Corp,
Zhejiang Electric Power
Design Institute and
PT Rekayasa Industri

Source: MEMR

The GOI also announced four coal-mining investment projects in Kalimantan and Sumatra, worth a reported \$236 million.

Table 2: Coal Mine Projects Awarded on 3/21

Project	Location	Investment
	(\$million)	

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PT Asmin Coalindo Tuhup Central Kalimantan 129

PT Interex Sacra Raya South Kalimantan 44.2

PT Karya Bumi Baratama Jambi 40

PT Singlurus Pratama East Kalimantan 22.5

Source: MEMR

At the signing ceremony, Ministry of Energy and Mineral Resources Purnomo Yusgiantoro said investment commitments in the energy sector through the first quarter have reached \$19.4 billion.

Oil and Gas Blocks Awarded

13. Also in Subang, on March 21, nine companies or consortiums signed production sharing contracts as part of the GOI's latest tender round for oil and gas blocks. Earlier, Director General of Oil and Gas Luluk Sumiarso said on March 2 that the government would receive \$30.09 million in signing bonuses from the tender winners. The winners committed to investing \$411 million over the first year three years of exploration, including \$12.9 million for geological and geophysical surveys, \$58.8 million for 3D seismic surveys, \$13.9 million for 2D seismic surveys, and \$325.5 million to drill 22 wells.

Table 3: Oil and Gas Tender Winners

Block	Location	Contractors	Bonus
(million\$)			

Mandar	Off.West Sulawesi	Esso Exploration International	10.8
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South East Mahakam	Off.East Kalimantan	Consortium Total E&P - Inpex Corp.	5
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Karama	Off.South	Consortium Pertamina	5
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Sulawesi - StatOil ASA

Tuna	Natuna Consortium		
Sea	Premier Oil Ltd	2	
	- Mitsui Oil		
	Exploration Co Ltd		
Lampung 1	Off. PT ANP Energy	1.53	
Lampung			
Ujung	On/Off. M3nergy Berhad	1.26	
Kulon	West Java		
Sageri	Off.South Talisman (South	1	
	Sulawesi Makassar)Ltd		
Enrekang	On West PT Sigma Energy	1	
	Sulawesi Petrogas		
West Air	On.South PT Tiara Bumi	-	
Komeriing	Sumatra Petroleum		

Source: BPMIGAS

Indonesia - Brazil Biofuels Agreement

¶4. On March 15 in Jakarta, GOI Agriculture Minister Anton Apriyantono and Brazilian Agriculture Minister Luis Carlos Guedes Pinto signed a bilateral agreement aimed at intensifying biofuels cooperation to allow Indonesia to start large scale ethanol production. Under the agreement, Brazil pledged to provide the GOI with technical help to produce ethanol from sugarcane and manioc. The agreement came a week after President Bush and Brazilian President da Silva agreed to promote ethanol use and increased production in Latin America and the Caribbean.

Pertamina Accepts Defeat in Karaha Bodas Case

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¶5. On March 16 Pertamina abandoned its attempt to have a Cayman Islands court intervene in its long-running dispute with the Karaha Bodas Company (KBC). The decision followed a March 16 ruling by the U.S. District Court of the Southern District of New York refusing to allow Pertamina to move forward with its fraud claims against KBC in the Caribbean island. Pertamina had been seeking to stop KBC from collecting \$305 million in GOI funds frozen in the U.S. The suit resulted from the GOI's decision in 1998 to cancel the construction of the Karaha Bodas geothermal power plant in Garut, West Java as a result of the regional financial crisis. KBC won a \$261 million international arbitration award in 1999 that Pertamina had been fighting since that time. On March 16, Pertamina's Managing Director Ari Soemarno told reporters that the company would respect the court's decision. With accrued interest Pertamina currently owes KBC \$319 million. KBC is a consortium owned by the U.S. firms Florida Power and Light (40.5%) and Caithness Energy (40.5%), Japan's Tomen (9%), and local firm PT Sumarah Daya Sakti (10%).

PGN and Bukit Asam Sign Coal Bed Methane MOU

¶6. State-owned gas firm PGN and State coal firm PT Tambang Batubara Bukit Asam (PTBA) signed a memorandum of understanding (MOU) on March 11 to develop coal-bed methane (CBM) at PTBA's mining concession in Tanjung Enim, South Sumatra. Minister of Energy and Mineral Resources Purnomo Yusgiantoro said that CBM from the scheme would be used to supply PGN's South Sumatra-West Java pipeline. PTBA claims it has a CBM potential of 2.6 trillion cubic feet at its concession, equivalent to 468 million barrels of oil. Industry watchers are uncertain how much of that gas will actually be recoverable with current technology.

Pertamina Eyes Offshore Blocks in East Kalimantan

17. On March 8, Pertamina officials expressed interest in acquiring non-operational 10% stakes in Chevron's offshore East Kalimantan Rapak and Ganai PSCs, according to local press reports. Currently, Chevron owns 80% of the two blocks while Italy's ENI holds 20%. Under GOI law a local firm may acquire up to a 10% interest in any block prior to its development. The Ganai PSC contains the Gehen and Gendalo gas fields; Rapak is home to the Ranggas gas field. Chevron expects to start production in the two PSCs in 2013. Separately, a Chevron spokesperson on March 9 said that it would have no objection to taking on Pertamina as a partner, but emphasized that the decision on who should get shares in the blocks rests solely with the GOI. In addition, Pertamina Upstream director Sukusen Soemarinda said on March 16 the company is also interested in acquiring a 10% share in the offshore Mahakam PSC. France's Total and Japan's Inpex each own 50% of the block, which produces 20,000 barrels per day of crude and 2.5 billion cubic feet per day of gas.

Bumi to Purchase Stake in Newmont Mine

18. On March 16 Bumi Resources, a mining company affiliated with the Bakrie Group, signed an MOU with the West Nusa Tenggara provincial government and the West Sumbawa regency government to finance their purchase of a 3% stake in the Newmont Nusa Tenggara (NNT) gold mine. Bumi and the local governments will buy the 3% stake under the GOI's mandatory divestment program for mines. Bumi will own 85% of the shared stake while the local administrations will own 15%. The 3% share is worth \$109 million. Based on its mining Contract of Work signed in 1986, NNT is obligated to offer over 25 years up to 51% of its shares to the GOI or local companies. Local firm, PT Pukuafu Indah already owns 20% of the company. NNT must divest the remaining 31% by 2010.

Pertamina Raises Retail Fuel Prices

19. Pertamina raised retail prices of certain fuels for industrial users beginning March 1 due to higher global oil prices, according to a company spokesperson. Industrial users saw the cost of their main fuels, premium gasoline and diesel oil, jump by 14 and 12 percent, respectively. The adjustment was inline with the changes in the Mid Oil Platts Singapore index for February 2007, according to local and international market analysts.

Table 5: Non-Subsidized Fuel Price Changes (in Rp)

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Fuel Type	Mar 07	Apr 07	Change
Transport			
Pertamax	4,900	5,600	14.3
Pertamax Plus	5,250	5,850	11.4
Pertamina Dex	5,750	5,900	2.6
Biopertamax	4,900	5,600	14.3
Industry			
Premium	4,651	5,459	17.4
Kerosene	5,152	5,370	4.2
Gas Oil	4,983	5,126	2.9
Diesel Oil	4,773	5,038	5.6
Fuel Oil	3,205	3,222	0.5

Source : Pertamina

Exploration agreements into the Kangean PSC

20. Local firm Energi Mega Persada (EMP) announced on March 7 that it had signed Heads of Agreements (HOA) on March 1 with Mitsubishi Corporation and Japan Petroleum Exploration (Japex) to make them partners in EMP's Kangean PSC offshore block (East Java). Under the HOA, Mitsubishi and Japex each paid \$360 million for their

respective 25% share in the Kangean PSC. EMP will retain the remaining 50%. EMP, which is controlled by the Bakrie Group, estimates that the PSC holds reserves of 1.74 TCF of gas and 1 million barrels of oil and condensate.

Bumi Sells Stake To India's Tata

¶11. India's Tata Power announced on March 30 that it will pay \$1.3 billion to purchase 30% equity stakes in two major Indonesian coal producers, PT Kaltim Prima Coal, and PT Arutmin Indonesia, and a related trading company, all of which are owned by the Indonesian energy firm Bumi Resources. Together, KPC and Arutmin produced approximately 53.5 million tons of coal in 2006 with over 95% exported. Bumi has said it plans to increase coal production by 50% over the next three years. As part of the deal, Tata Power said it would also buy 10 million tons of coal from Kaltim Prima Coal for two proposed power projects, totaling 7,000 MW, it plans to build in India by 2012. Bumi paid a total of \$685 million for the two coal mining firms in 2001 and 2003. The current deal values those assets at \$4.3 billion.